

Summary: Intervention & Options

Department /Agency:
DCSF

Title:
Impact Assessment of The Children Act 1989 (Higher Education Bursary) (England) Regulations 2009

Stage: Consultation

Version: 2

Date: 16 March 2009

Related Publications:

White Paper: 'Care Matters: Time for Change' and Children and Young Persons Act 2008 (section 21)

Available to view or download at:

<http://www.dcsf.gov.uk/publications/timeforchange/>

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What is the problem under consideration? Why is government intervention necessary?

Due to the absence of family support, former looked after children leave university with an average of £2000 more debt than their peers. This is inequitable. If this leads to fewer care leavers obtaining degrees society would then also lose the economic and social benefits of these former looked after children obtaining degrees.

What are the policy objectives and the intended effects?

The primary objective is to ensure former care leavers do not leave university with disproportionately large debts compared to their peers. A secondary positive effect may be to encourage participation in higher education by former care leavers.

What policy options have been considered? Please justify any preferred option.

We considered a number of ways of delivering the bursary, including a) statutory guidance, b) a ring-fenced grant, c) delivering the bursary through the Student Loans Company and d) imposing a new statutory duty on local authorities. Option d) was the preferred option for delivering the entitlement with a minimum of bureaucracy. The Regulation making power in s21(2) will enable us to specify the exact nature of financial support, including the minimum amount of bursary, eligibility criteria, payment schedule, conditions of repayment and circumstances in which instalment payments would stop.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? Paying an HE bursary is a commitment from 'Care Matters: Time for Change', which will be monitored via a published annual stocktake and OfSTED.

Ministerial Sign-off For SELECT STAGE Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:



Date:

26/3/09

Summary: Analysis & Evidence

Policy Option:	Description:
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Costs to LAs include the bursary payment itself, and the associated administration costs. The former are estimated to come to £893,200 in the first year and £982,520 in the second year, based on the continuation of a trend increase of care leavers entering HE of 10% p.a. The Government will provide £1 million p.a. to LAs.
	One-off (Transition)	Yrs	
	£		
	Average Annual Cost (excluding one-off)		
	£ £1,000,000		
	Total Cost (PV)		£ 1,966,200
Other key non-monetised costs by 'main affected groups' None			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' The benefits of the proposal will outweigh the costs if it results in 5 additional care leavers obtaining degrees, an average of less than 1 per LA. This estimate is conservative, as it considers only the economic, and not the wider social, benefits of higher education.
	One-off	Yrs	
	£		
	Average Annual Benefit (excluding one-off)		
	£		
		Total Benefit (PV)	£ not estimated
Other key non-monetised benefits by 'main affected groups'			

Key Assumptions/Sensitivities/Risks Funding will provide some incentive for young people to achieve their potential and ensure they no longer leave university with disproportionately more debt than their peers. Use of time lagged data may mean distribution of resources to LAs in any one year might not reflect numbers going to HE.

Price Base Year 2009	Time Period Years 2	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?		England		
On what date will the policy be implemented?		September 2009		
Which organisation(s) will enforce the policy?		N/A		
What is the total annual cost of enforcement for these organisations?		£ N/A		
Does enforcement comply with Hampton principles?		Yes/No		
Will implementation go beyond minimum EU requirements?		Yes/No		
What is the value of the proposed offsetting measure per year?		£ NA		
What is the value of changes in greenhouse gas emissions?		£ NA		
Will the proposal have a significant impact on competition?		No		
Annual cost (£-£) per organisation (excluding one-off)		Micro	Small	Medium
				Large
Are any of these organisations exempt?		Yes/No	Yes/No	N/A
				N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)		
Increase of £	Decrease of £	Net Impact		£

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Background and rationale

1. Outcomes for looked after children are strikingly poor. For example, in 2007:
 - 13% of looked after children gained five GCSEs A*-C compared to 62% of all children.
 - Only 64% of looked after children achieved at least 1 GCSE at A*-G compared to 99% of all children.
 - 46% of looked after children achieved level 4 in English at Key Stage 2 compared to 80% for all children.
 - 44% of looked after children achieved level 4 in mathematics at Key Stage 2 compared to 77% of all children.
 - 29% of former care leavers were not in education, employment or training at 19 compared with 13% of all young people.
 - Only approx 6% of care leavers go on to university.
2. The factors that contribute to these poor outcomes are complex, reflecting the children's pre-care experiences and personal needs. For example:
 - 62% of children looked after are in care because of abuse or neglect, which has a profound effect on a child's ability to engage in education.
 - 45% of 5-17 year olds in care are assessed as having a mental health disorder according to a 2003 ONS survey. This is four times higher than for other children.
 - 28% of looked after children have a statement of special educational needs compared to 3% of the population and if those on school and school action plus are taken into account the number with some form of special needs is around 60%.
3. The Children and Young Persons Act 2008 carries forward the proposal in the Care Matters green and white papers to require local authorities to pay a minimum bursary of £2,000 to care leavers who go on to a course of higher education. This amount is based on research (Going to University from Care, Jackson, Ajayi and Quigley (2005)) that care leavers leave university with an average of £2,000 more debt than their peers. The bursary is intended to ensure that care leavers do not leave university with significantly higher debt than their peers.
4. A potential additional positive consequence of reducing the higher level of debt associated with HE for care leavers may be to encourage more of them to obtain degrees.

Options considered

5. Given the barriers that young people leaving care face going on to HE the Government wanted to redress the financial disparity between them and their peers. The only option which was considered was the payment of a bursary. We considered a number of methods of delivering this commitment. These were via statutory guidance, a ring-fenced grant, delivering the bursary through the Student Loans Company (SLC) or imposing a new statutory duty on local authorities.

Statutory guidance (option a)

6. We considered using section 7 Local Authority Social Services Act 1970 on the duty to provide grant under sections 23C (4) (b) and 24B (2) Children Act 1989. However the duty in s23C (4) is qualified by the expression "to the extent that his welfare...requires it", and so falls short of the commitment in the White Paper.

Ring-fenced grant (option b)

7. Establishing a ring-fenced grant would run counter to policy on local government finance and would involve additional administrative burdens for local authorities who would have to establish special arrangements to apply for it. This cannot be justified given the relatively small number of care leavers involved.

Delivering the bursary through the SLC (option c)

8. This would have required the SLC to develop a mechanism to identify care leavers. In addition some care leavers may be reluctant to share information with other agencies about their care leaving status and may therefore be deterred from applying for the bursary.

A duty on local authorities to pay the bursary with associated regulations (option d)

9. This option delivers the commitment for all care leavers pursuing a course in higher education. Section 21 of the Children and Young Persons Act 2008 places a duty on local authorities which requires them to make financial payments to all care leavers who go on to pursue a course of higher education as set out in their Pathway Plan. Funding for the bursary has been added to local authorities' area based grant.
10. Section 21 (2) takes a power for the appropriate national authority to make regulations which a) prescribe the relevant amount of bursary, b) prescribe the meaning of "higher education" to define eligibility, c) make provision about how the payment should be made and d) set out the circumstances in which payment of the relevant amount of bursary may be recovered.

Costings

11. The costs of introducing the requirement to pay a bursary will be a minimum of £2,000 for each former relevant child who undertakes a course of higher education. The average annual costs based on numbers of care leavers going to HE is based on 7% of 5,800 = 406. The funding to cover the cost of this entitlement over which has been allocated to local authorities via area based grant assumed 10% increase in numbers going to HE each year over the CSR period (£893,200 in year 1 and £982,520 in year 2), plus an additional amount to cover associated administration costs.

Benefits

12. Over their working life the productivity of graduates is, on average, higher by at least around £190,000. In addition, there are demonstrable wider benefits to society from higher education. Graduates are more likely to hold better quality jobs, lead healthier lifestyles and have greater involvement in their children's education.
13. In order for the benefits of the introduction of a LA bursary to outweigh the costs it would require only around 5 former care leavers who currently do not obtain degrees to do so - an average of less than 1 former care leaver per local authority.
14. The increase in lifetime productivity of someone who, as a result of a policy intervention, gains a university degree is estimated using the method below:
 - Data from the Labour Force Survey on the lifetime earnings of graduates compared with individuals with 2 or more A-Levels only, controlling for such background characteristics that affect earnings such as age, sex and ethnicity. This includes the opportunity cost of earnings foregone by graduates in the course of their studies (DIUS internal analysis).
 - 3.5% discount rate for the first 30 years, 3.0% thereafter as per HMT's *The Green Book (2003)*. The discount rate has been included in the calculation so that lifetime earnings are given in NPV terms (DIUS internal analysis).
 - 25% Non-wage labour costs, the additional cost of employment

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	No
Rural Proofing	No	No

Equality Impact Assessment

Title: Bursary for care leavers following a course of higher education

Description of policy

Currently only around 6% of care leavers pursue a course of higher education. The payment of a bursary to care leavers (former relevant children) may lead more care leavers to pursue a course of higher education and ensure that they do not leave university with a significantly greater burden of debt than their peers.

It is intended that the regulations setting out the arrangements for paying the bursary will be in place for September 2009.

The DCSF statistical first release Children looked after in England – including adoption and care leavers to March 31 2008 showed that 65% of care leavers were in education, employment or training compared to 91% of their peers.